

ELK MEADOWS SPECIAL SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Elk Meadows Special Service District
Beaver, Utah 84713

We have audited the accompanying financial statements of the business-type activities of Elk Meadows Special Service District, a component unit of Beaver County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elk Meadows Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type of Elk Meadows Special Service District as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2007, on our consideration of Elk Meadows Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal reporting and financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 21, 2007
Richfield, Utah

ELK MEADOWS SPECIAL SERVICE DISTRICT MANAGEMENT AND DISCUSSION AND ANALYSIS

The discussion and analysis of Elk Meadows Special Service District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the District is to provide culinary water, snow removal, street maintenance, fire protection and street lighting for the owners of property and for residents within the geographical boundaries of the District.

FINANCIAL HIGHLIGHTS:

Cash increased \$536,114, due to the collection of prior years special assessments as a result of the sale by Meadows Operations to CPB Development. This involved the purchase of all of the real estate previously owned by Meadows Operations. At the sale closing all of the past assessments, interest, penalties and property taxes were paid by CPB Development in an amount of approximately \$581,000.

Accounts receivable decreased by \$170,522 for the same reason stated above. The construction of the improvements is now complete, and residents are being billed for the usage of culinary water and other improvements.

Interest receivable on Special Assessments decreased \$34,256 due to the collection of delinquent accounts upon the sale of Meadows Operations.

Special Assessments decreased by \$332,025 due mainly to the payment of past due assessments as stated above on the sale of Meadows Operations.

As a result of the collection of the past due assessments, penalties, interest and property taxes the District was able to repay Beaver County \$220,590 in principal and interest.

The District also retired \$95,000 of SID Bonds during the year and is current on the SID bond payments. The outstanding balance of SID bonds at year end is \$660,000 Series 1998 and \$295,000 Series 2001.

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the District as a whole. These statements reflect how the services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE:

The District realizes revenue from the following sources:

- | | |
|-------------------------|---------------------------------------|
| 1) Water Fees | 2) Road Maintenance Fees |
| 3) Street Lighting Fees | 4) Property Taxes for Fire Protection |

These funds are used to pay for the operations and maintenance of the District and for the utilities and services provided to the property owners within the District boundaries.

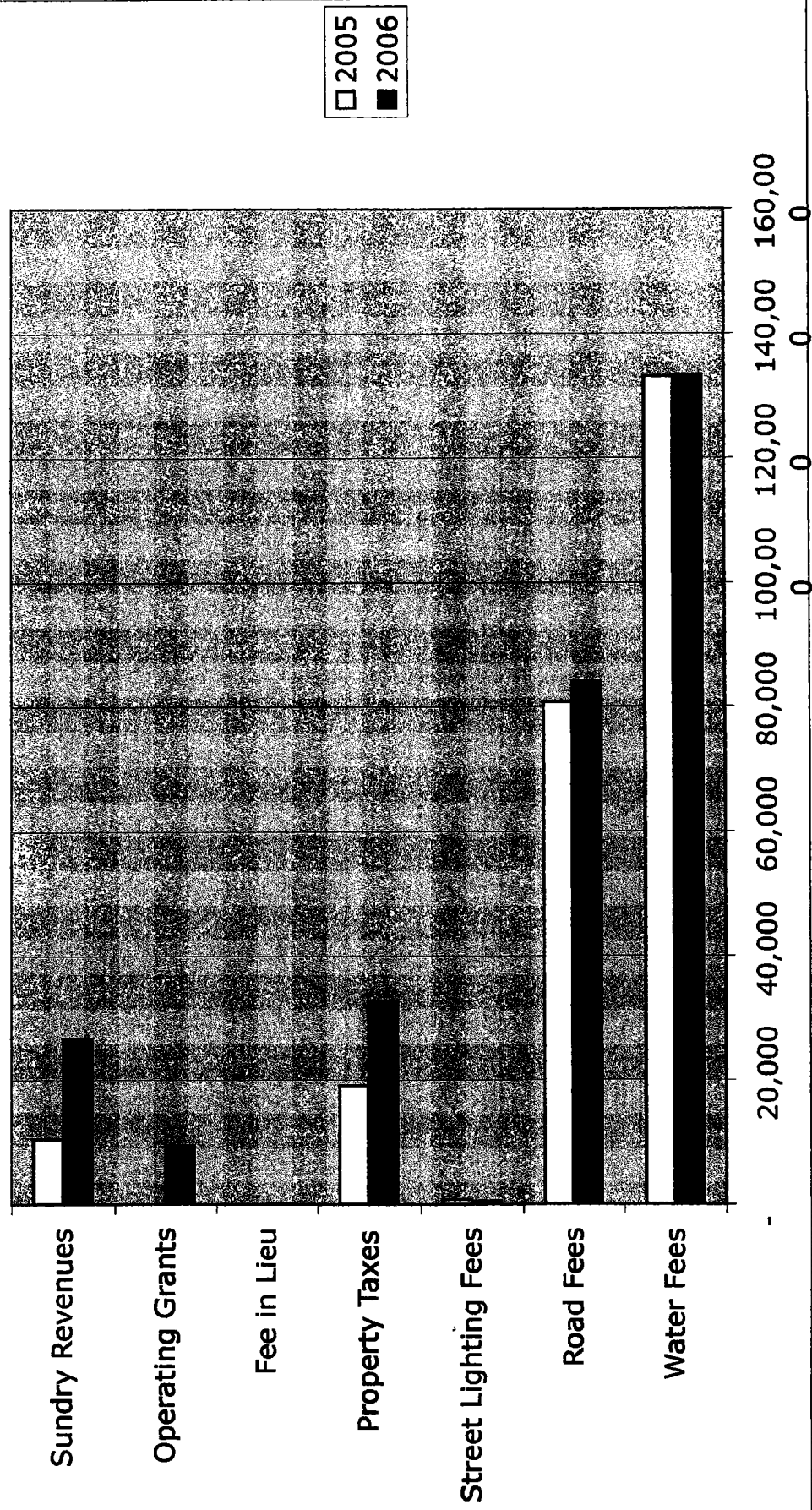
The following are condensed financial statements of the District:

	2006	2005
Current Assets	502,484	504,821
Capital Assets	1,954,706	1,967,189
Other Assets	1,124,234	1,115,009
Total Assets	3,581,424	3,587,019
Current Liabilities	172,028	133,893
Long-Term Liabilities	855,000	1,155,000
Total Liabilities	1,027,028	1,288,893
Net Assets:		
Invested in Capital Assets-Net of Debt	957,856	685,730
Restricted	268,671	255,094
Unrestricted	1,327,869	1,357,302
Total Net Assets	2,554,396	2,298,126
Revenues:		
Charges for Services	220,445	214,757
Taxes	32,936	19,151
Operating Grants	9,428	-
Sundry	26,768	10,437
Investment Earnings	349,715	65,966
Total Revenues	639,292	310,311
Expenses:		
Operating Expenses	222,629	139,176
Depreciation	62,443	61,744
Investment Expense	97,950	53,658
Total Expenses	383,022	254,578
Change in Net Assets	256,270	55,733
Net Assets - Beginning of year	2,298,126	2,242,393
Net Assets - End of Year	2,554,396	2,298,126

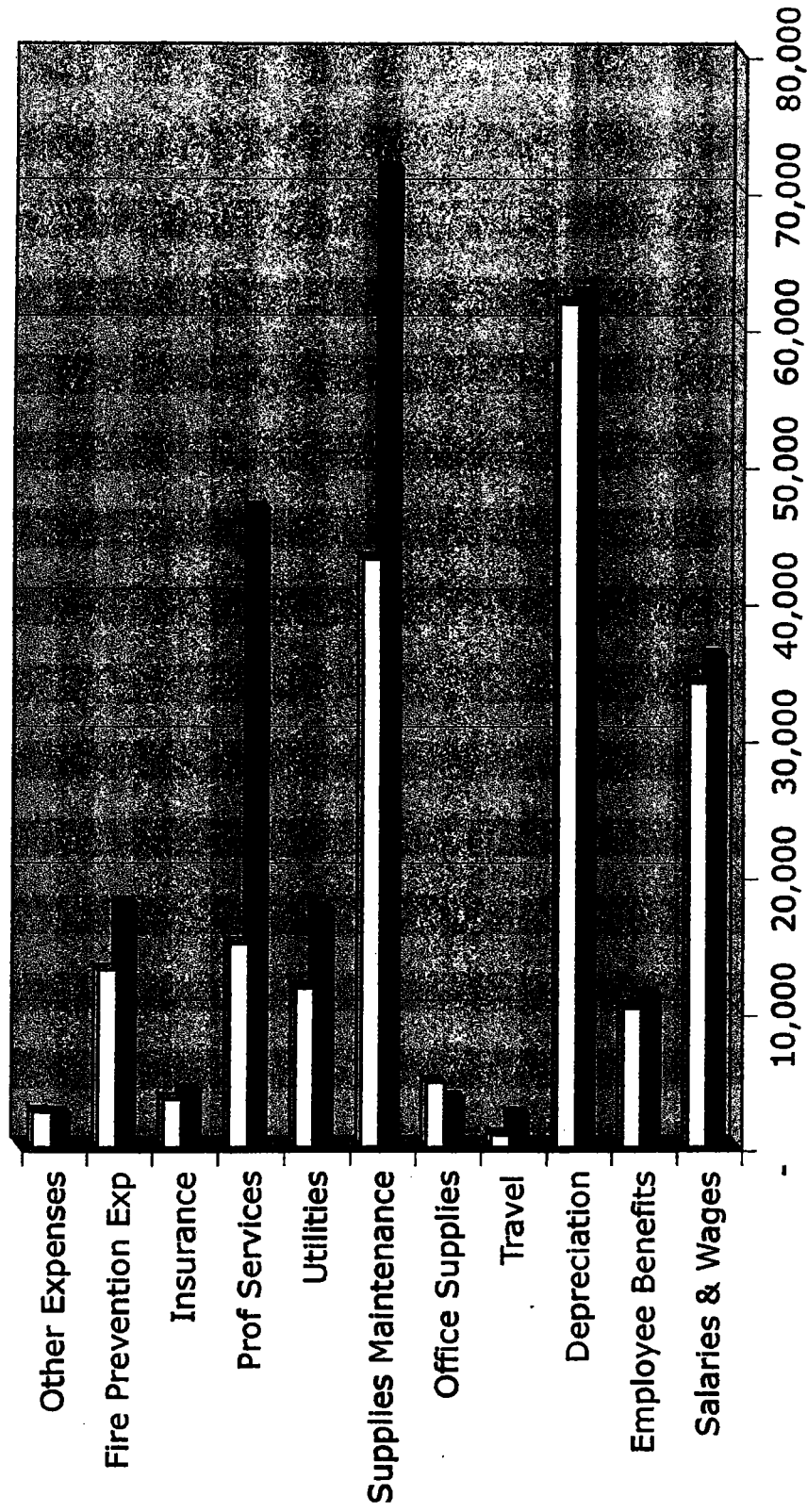
CONTACTING THE DISTRICT'S TREASURER:

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact C. David White, P.O. Box 1663, Beaver, UT 84713.

Elk Meadows Special Service District - Revenues **2006 & 2005**



Elk Meadows Special Service District - Expenses **2006 & 2005**





BASIC FINANCIAL STATEMENTS

**ELK MEADOWS SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF BEAVER COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE**

December 31, 2006

	<u>Enterprise Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	347,620
Grants, Taxes and Fees Receivable	9,428
Special Assessments Receivable	97,798
Interest Receivable	<u>47,638</u>
Total Current Assets	<u>502,484</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	495,524
Special Assessments - Noncurrent	628,710
Capital Assets (Net of Accumulated Depreciation)	<u>1,954,706</u>
Total Noncurrent Assets	<u>3,078,940</u>
TOTAL ASSETS	<u><u>3,581,424</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	10,268
Accrued Liabilities	969
Accrued Interest Payable	27,300
Deferred Revenue	33,491
Bonds Payable	<u>100,000</u>
Total Current Liabilities	<u>172,028</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	<u>855,000</u>
TOTAL LIABILITIES	<u>1,027,028</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	957,856
Restricted for Bonds	183,821
Restricted for Fire Protection	84,850
Unrestricted	<u>1,327,869</u>
TOTAL NET ASSETS	<u>2,554,396</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,581,424</u></u>

See accompanying notes and accountant's report.

**ELK MEADOWS SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF BEAVER COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE**

For The Year Ended December 31, 2006

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Water Fees	133,380
Road Fees	84,140
Street Lighting Fees	594
Property Taxes	32,850
Fee-In-Lieu	86
Operating Grants	9,428
Sundry Revenue	<u>26,768</u>
TOTAL REVENUES	<u>287,246</u>
OPERATING EXPENSES	
Salaries and Wages	36,000
Employee Benefits	11,239
Depreciation	62,443
Travel	2,466
Office Expenses and Supplies	3,642
Supplies and Maintenance	71,641
Utilities	17,456
Professional Services	46,753
Insurance	4,197
Fire Prevention Expense	17,877
Other Expenses	<u>11,358</u>
TOTAL OPERATING EXPENSES	<u>285,072</u>
NET OPERATING GAIN (LOSS)	<u>2,174</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	349,715
Other Income	2,331
Interest Expense	<u>(97,950)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>254,096</u>
CHANGES IN NET ASSETS	256,270
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>2,298,126</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>2,554,396</u></u>

See accompanying notes and accountant's report.

**ELK MEADOWS SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF BEAVER COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

December 31, 2006

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	448,925
Cash Paid To Suppliers	(182,827)
Cash Paid To Employees	(36,000)
Cash Received From Grants	1,821
Cash Received From Tax Revenue	<u>32,936</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>264,855</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property and Equipment	(49,960)
Payments Received on Special Assessment Debt	332,025
Payment on Long-Term Debt Principal	(295,000)
Payment on Long-Term Debt Interest	(102,108)
Other Income	<u>2,331</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(112,712)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Revenue	<u>383,971</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>383,971</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	536,114
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>307,030</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>843,144</u></u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Gain (Loss)	<u>2,174</u>
Adjustments to Reconcile Net Operating Gain (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation	62,443
Increase (Decrease) In Operating Assets:	
Accounts Receivable	204,043
Taxes and Fees Receivable	(7,607)
Accounts Payable	<u>3,802</u>
Total Adjustments	<u>262,681</u>
Net Cash Provided (Used) by Operating Activities	<u><u>264,855</u></u>

See accompanying notes and accountant's report.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Elk Meadows Special Service District (District), a component unit of Beaver County, have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and is a component unit of Beaver County.

A. Reporting Entity:

The District was originally organized in May 1995 as Beaver County Special Service District #6 with three board members. On June 2, 1997, Resolution No. 97-07 was adopted by Beaver County to change the name of the District to Elk Meadows Special Service District. The Resolution No. 97-07 authorized a board of five members. The commissioners subsequently appointed an additional two members to the board to increase total members to five. The District has no component units.

The services authorized to be provided by the District within its boundaries are water, sewage, drainage, flood control, transportation, recreation, street lighting, snow removal and fire protection. The services authorized to be provided by the District shall only be provided if certain conditions are met.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The District's only fund is an Enterprise Fund.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Any investments will be stated at cost.

Capital Assets:

Capital assets used in the government are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Improvements	50 Years
Equipment	3-10 Years

D. Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted for a bond reserve as required by the bond documents.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting:

The District adopts an annual budget. The budget is prepared on the accrual basis. The District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

The following is a description of the budgetary requirements for the District:

1. On or before the first regularly scheduled meeting of the Board in the month of November, the Board prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Board makes final adjustments to the tentative budget.
4. On or before December 15, the Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The total budget appropriation of any fund may be increased only after a public hearing has been held and followed by resolution of the Board.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

F. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

At December 31, 2006, the carrying amount of the District's deposits was \$127,226 and the bank balance was \$138,143. Of the bank balance, \$100,000 was covered by federal depository insurance.

Cash and investments as of December 31, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	127,226
Investments - PTIF	<u>715,918</u>
Total Cash and Investments	<u><u>843,144</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	347,620
Governmental Activities - Restricted	<u>495,524</u>
Total Cash and Investments	<u><u>843,144</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$38,143 of the local government's bank balances of \$138,143 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

For the year ended December 31, 2006, the local government has investments of \$715,918 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

The Special Assessments Bond, Series 2001, requires a debt service reserve fund related to this bond issue to be set aside in a reserve account in the amount of \$36,492. This amount has been set aside or reserved on the books of Elk Meadows Special Service District as required.

NOTE 4 - ACCOUNTS RECEIVABLE

The accounts receivable is from assessment billings to property owners in the District. Property owners are assessed for road maintenance and street lighting based on property owned.

NOTE 5 - SPECIAL ASSESSMENTS RECEIVABLE

Special assessment bonds were issued in 1998 and 2001 to pay for improvements in the District. Property owners in the District were assessed for these improvements according to property size. The property owners could elect to pay in total the first year or annually over a 15 or 10 year term respectively. The interest charged to property owners is based on the rate charged on the Special Assessment Bonds payable. The balance of the special assessment receivables at year end was \$726,508; current \$97,798, noncurrent \$628,710 and interest \$47,638.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	46,187	-	-	46,187
Water Stock	-	41,850	-	41,850
 Total Capital Assets Not Being Depreciated	<u>46,187</u>	<u>41,850</u>	<u>-</u>	<u>88,037</u>
 Capital Assets Being Depreciated:				
Improvements	2,141,964	-	-	2,141,964
Equipment	176,288	8,110	-	184,398
 Total Capital Assets Being Depreciated	<u>2,318,252</u>	<u>8,110</u>	<u>-</u>	<u>2,326,362</u>
 Less Accumulated Depreciation For:				
Improvements	309,581	43,206	-	352,787
Equipment	87,669	19,237	-	106,906
 Total Accumulated Depreciation	<u>397,250</u>	<u>62,443</u>	<u>-</u>	<u>459,693</u>
 Total Capital Assets Being Depreciated (Net)	<u>1,921,002</u>	<u>(54,333)</u>	<u>-</u>	<u>1,866,669</u>
 Business Type Activities Capital Assets, Net	<u><u>1,967,189</u></u>	<u><u>(54,333)</u></u>	<u><u>-</u></u>	<u><u>1,954,706</u></u>

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - SPECIAL IMPROVEMENT DISTRICT

The Special Improvement District (SID) was formed to provide road improvements, a highway underpass for nonmotorized travel for skiing and hiking, and water system improvements. All of the lots in Elk Meadow Estates and a ten acre parcel of land owned by the State Trust lands and four land parcels owned by Elk Meadows L.L.C. are included in the SID. The assessments are based on benefits derived by the respective property owners. Assessments can be paid in full or over a maximum period of ten or fifteen years with an interest rate based on the permanent financing obtained for the improvements.

NOTE 8 - LONG-TERM DEBT

Special Assessment Bonds, Series 1998:

On August 5, 1998, the Special Assessment Bonds, Series 1998, were issued. The Special Assessment Bonds were issued in the amount of \$1,163,182. The balance at December 31, 2006, was \$660,000.

Maturity of Special Assessment Bonds are as follows:

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
9/1/2007	5.45%	80,000	35,970	115,970
9/1/2008	5.45%	84,000	31,610	115,610
9/1/2009	5.45%	89,000	27,032	116,032
9/1/2010	5.45%	94,000	22,182	116,182
9/1/2011	5.45%	99,000	17,059	116,059
9/1/2012	5.45%	104,000	11,663	115,663
9/1/2013	5.45%	110,000	5,995	115,995
	Totals	<u>660,000</u>	<u>151,510</u>	<u>811,510</u>

Special Assessment Bonds, Series 2001:

On December 12, 2001, Special Assessment Bonds were issued for the purpose of paying the costs of construction of improvements including improvements of streets, underpass, culinary water system improvements and tree and nonconforming objects removal and related improvements.

The total amount of the bonds issued was \$364,462.06. Payments are due January 15 beginning January 15, 2003. The interest rate varies from 3.75% to 5.85%.

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of maturity of principal and interest on the bonds:

	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	5.40%	20,000	16,295	36,295
2008	5.50%	21,000	15,215	36,215
2009	5.65%	22,000	14,060	36,060
2010	5.70%	24,000	12,817	36,817
2011	5.80%	25,000	11,449	36,449
2012	5.85%	26,000	9,999	35,999
2013	5.40%	28,000	8,478	36,478
2014	5.40%	30,000	6,966	36,966
2015	5.40%	31,000	5,346	36,346
2016	5.40%	33,000	3,672	36,672
2017	5.40%	35,000	1,890	36,890
Totals		<u>295,000</u>	<u>106,187</u>	<u>401,187</u>

The following is a summary of total debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	100,000	52,265	152,265
2008	105,000	46,825	151,825
2009	111,000	41,092	152,092
2010	118,000	34,999	152,999
2011	124,000	28,508	152,508
2012-2016	362,000	52,119	414,119
2017-2021	<u>35,000</u>	<u>1,890</u>	<u>36,890</u>
Total	<u>955,000</u>	<u>257,698</u>	<u>1,212,698</u>

ELK MEADOWS SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a statement of changes in Long-Term Debt:

	Balance December 31, 2005	Additions	Retirements	Balance December 31, 2006
Special Assessment Bonds - 1998	736,000	-	76,000	660,000
Special Assessment Bonds - 2001	314,000	-	19,000	295,000
	<u>1,050,000</u>	<u>-</u>	<u>95,000</u>	<u>955,000</u>

NOTE 9 - RISK MANAGEMENT

Coverage Area	Company	Limit
General Liability	Utah Local Government Trust	2,000,000
Automobile	Utah Local Government Trust	2,000,000
Property	Utah Local Government Trust	72,000
Workers Compensation	Utah Local Government Trust	100,000
Fidelity Bond Coverage	Old Republic Surety	112000

Insurance premiums are expensed as incurred rather than over the life of the policy. Claims have not exceeded coverage during the calendar year.

NOTE 10 - ECONOMIC DEPENDENCE

Elk Meadows Special Service District is economically dependent on CPB Development for 23 - 25% of special assessments and property taxes.



COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members
Elk Meadows Special Service District
Beaver, Utah 84713

We have audited the financial statements of the business-type activities of Elk Meadows Special Service District, a component unit of Beaver County, as and for the year ended December 31, 2006, which collectively comprise Elk Meadows Special Service District's basic financial statements and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elk Meadows Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elk Meadows Special Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elk Meadows Special Service District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Elk Meadows Special Service District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Elk Meadows Special Service District's financial statements that is more than inconsequential will not be prevented or detected by Elk Meadows Special Service District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Elk Meadows Special Service District's internal control.


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable Board Members
Elk Meadows Special Service District
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elk Meadows Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 21, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Elk Meadows Special Service District
Beaver, Utah 84713

We have audited the accompanying financial statements of the business-type activities of Elk Meadows Special Service District, a component unit of Beaver County, for the year ended December 31, 2006, and have issued our report thereon dated June 21, 2007. The District received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of the District's financial statements:

Fire Grant (Department of Natural Resources)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The District did not receive any major State grants during the year ended December 31, 2006.

The management of Elk Meadows Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures no instances of noncompliance with the requirements referred to above.

In our opinion, Elk Meadows Special Service District, complied, in all material respects, with the general compliance requirements identified for the year ended December 31, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 21, 2007
Richfield, Utah